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The IP Dealer

Abstract: The IP Dealer and the IP Rookie are quite similar, both archetypes are defined by a low level of integrated IP management and lack personnel and resources dedicated to IP. However, unlike the IP Rookie, the IP Dealer has had a limited experience of dealing with IP, for example in licensing or trading in IP. IP Dealers can be firms who generate value from selling or out-licensing technological inventions to third parties, or firms who buy or in-license well-known, popular brands to further the sales of their existing products. Like the IP Rookie, many IP Dealers find that working with IP is a complex and expensive endeavor. The IP dealers express their own approach to IP as a sign of agility and nimbleness, but also recognize that their approach (being non-strategic) is ad hoc and a highly serendipitous approach to achieving success working with IP. Some firms become IP Dealers through choice, having identified a business opportunity in licensing IP rights. However, it may also occur by circumstance, where the IP Dealer is approached by a third party wanting to license one or more of their IP rights or when the firm has infringed a third party right unintentionally and is therefore forced to in-license the IP to keep the firm’s products on the market. No matter why they engage in licensing or trading IP, IP Dealers are more inquisitive than IP Rookies, and may have taken the first steps towards a more organized way of handling IP.

Meet the Dealer

The Dealer is quite similar to the Rookie. Both share an ad hoc approach to IP and a low level of internal capabilities within IP. The primary distinction between these two archetypes is whether they exchange
or trade IP rights. Unlike Rookies, Dealers by definition, have engaged in dealing IP, most often through licensing at least once or, more commonly, multiple times. The Dealer tends to focus more on out-licensing, selling their inventions to other firms, and to be more opposed to in-licensing, sharing the belief with many other firms that their own firm is the most adept at developing this particular technology. Crudely put, the Dealer is a Rookie exposed to licensing activities, either through their own initiative or by sheer coincidence. Engaging in licensing does, however, offer the Dealer unique possibilities, which Rookies cannot access. On a basic level, being part of a licensing deal provides the firm with experience in working with an external partner and forces the firm to assess the value of their own assets. While it may sound like a simple exercise, assessing the value of an asset, such as a specific technology protected by one or more patents, is a complicated exercise as both the market potential of the competitor and the impact on one's own business needs to be assessed.

Traditionally, out-licensing has been considered an activity firms partake in for the sake of generating revenue through upfront payments or royalties. Similarly, in-licensing tends to be considered a means by which firms can avoid legal complications given that their product utilizes IP that is infringing the rights of another firm. It is also argued that in-licensing allows a firm to be at the forefront of technological development, even when it does not have the internal resources to compete in the IP race. IP licensing is simply a means by which an IP holder grants the right of the IP to another firm or agent conditional on pecuniary compensation. Yet, as we will see in Chapter 8, the reasons for engaging in the IP market are broader and more versatile than firms may first think. For now, we will simply think of markets for IP as an activity, which involves licensing of IP from one party to another.

Some Dealers essentially build their business on licensing a technology from an external source, such as a vital component for their product or a trademarked product name to spur increased sales. The latter is a relatively straightforward process. Common examples are branding of children’s clothing with characters from a well-known cartoon or applying popular brands to a different type of product, such as clothing manufacturer H&M selling shirts with Angry Birds characters or logos, or camera manufacturer Hasselblad releasing Ferrari editions of their best selling cameras. While acquiring the right to use a well-known product name can involve a tough negotiation